

Agency 124

Department of Retirement Systems**Recommendation Summary**

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
2003-05 Expenditure Authority	272.2		49,671	49,671
Total Maintenance Level	274.8		48,156	48,156
Difference	2.6		(1,515)	(1,515)
Percent Change from Current Biennium	1.0%		(3.1)%	(3.1)%
Performance Changes				
Middle Management Reduction	(3.0)		(324)	(324)
General Inflation			(188)	(188)
Supplemental Plan Study			60	60
Subtotal	(3.0)		(452)	(452)
Total Proposed Budget	271.8		47,704	47,704
Difference	(.4)		(1,967)	(1,967)
Percent Change from Current Biennium	(0.1)%		(4.0)%	(4.0)%
Total Proposed Budget by Activity				
Administration	25.9		4,400	4,400
Deferred Compensation Management for Public Employees	19.9		3,770	3,770
Dependent Care Program Management for Public Employees	2.5		399	399
Employer Support Services	25.0		3,438	3,438
One-Time Projects	1.9		795	795
Retirement Customer Services	116.8		14,818	14,818
Retirement Information Systems	60.9		14,159	14,159
Trust Fund Accounting	21.9		5,255	5,255
Compensation Cost Adjustment			994	994
Middle Management Reduction	(3.0)		(324)	(324)
Total Proposed Budget	271.8		47,704	47,704

PERFORMANCE LEVEL CHANGE DESCRIPTIONS**Middle Management Reduction**

The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount.

Supplemental Plan Study

The Office of Financial Management's Labor Relations Office has requested that the Department of Retirement Systems (DRS) study options for a supplemental plan. This study would require DRS to obtain the assistance of outside tax counsel to work with the Internal Revenue Service to ensure that the plan could qualify under the federal Internal Revenue Code and not be in conflict with the state's existing retirement and deferred compensation plans. (DRS Expense Account-State)

GOVERNMENTAL OPERATIONS

ACTIVITY DESCRIPTIONS

Administration

Agency management activities include executive leadership, budget, fiscal and legal services, and policy and planning support to the Governor on pension issues, personnel, and other administrative support services. The authority for the Department of Retirement Systems (DRS) is established by RCW 41.50.

Deferred Compensation Management for Public Employees

The Deferred Compensation Program (DCP) enables eligible public employees to defer a portion of their earnings under a series of before-tax investment plans until retirement or termination of public employment. Currently, the program has \$1.7 billion in assets and serves nearly 47,000 employees of state government, higher education, and political subdivisions. This activity also includes a supplemental retirement program serving more than 200 judges. Authority for the Deferred Compensation Plan is contained in RCW 41.50 and Section 457 of the Internal Revenue Code, while authority for the Judges program is contained in RCW 2.12.

Dependent Care Program Management for Public Employees

This program enables eligible employees to set aside a before-tax portion of their compensation for reimbursement of dependent care expenses. The activity presently serves more than 1,100 public employees, with deferrals totaling \$4.6 million in Fiscal Year 2004. Authority for the program is provided by RCW 41.04.610 and Section 125 of the Internal Revenue Code.

Employer Support Services

This activity contains the unit responsible for conducting field audits of and providing training to nearly 1,300 public employers, assuring their compliance with state laws and regulations. The Employer Support Services Unit also receives and processes essential member information submitted by public employers. Authority for DRS is established by RCW 41.50.

One-Time Projects

This activity contains the one-time costs associated with legislative projects approved and funded each session, which are then removed in the carry-forward level calculation process each biennium. The initial amounts for the 2005-07 Biennium reflect one-time costs associated with implementation of the Public Safety Employees' Retirement System (Chapter 242, Laws of 2004).

Retirement Customer Services

The Department of Retirement Systems (DRS) serves over 544,000 active, retired, and inactive members of the Public Employees, School Employees, Teachers, Law Enforcement and Firefighters, Washington State Patrol, and Judicial retirement systems. Services include determining eligibility for retirement, educating and counseling prospective retirees, processing disability and death adjustments, and computing retirement benefits, deductions, and benefit adjustments. Authority for administering the retirement systems is established in RCW 2.10, 2.12, 41.26, 41.32, 41.34, 41.40, and 43.43. DRS also must conform to legislative mandates established in RCW 28.B10, 41.44, 41.45, 41.54, and 44.44.

Retirement Information Systems

DRS receives and manages essential information and records for members and retirees. Information services support includes database management, systems development, electronic communications support, system maintenance and troubleshooting, data collection and processing, and disbursement processing. Authority for DRS is established by RCW 41.50.

Trust Fund Accounting

DRS administers retirement benefits for state and local government employees. At the end of Fiscal Year 2004, the pension trust funds contained \$44 billion in assets, with employer and member contributions for the year totaling \$644 million, and disbursements exceeding \$2 billion to more than 112,000 retirees each month. This activity contains the costs associated with all phases of accounting for the pension/trust funds, including collection of contributions, withdrawals and monthly pension disbursements, and IRS reporting. Authority for DRS is established by RCW 41.50.

Compensation Cost Adjustment

This item reflects proposed compensation and benefit cost adjustments that were not allocated to individual agency activities. The agency will assign these costs to the proper activities after the budget is enacted.

Middle Management Reduction

The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount. These savings will be assigned to the appropriate activities after the budget is enacted.